

LEGISLATIVE AUDIT COMMISSION



Review of
Department of Veterans' Affairs
Central Office
Two Years Ended June 30, 1999

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REVIEW: 4112
DEPARTMENT OF VETERANS' AFFAIRS
CENTRAL OFFICE
YEAR ENDED JUNE 30, 1999

FINDINGS/RECOMMENDATIONS - 6
ACCEPTED - 5
IMPLEMENTED - 1

REPEATED RECOMMENDATIONS - 3

PRIOR FINDINGS/RECOMMENDATIONS - 7

This review summarizes an audit of the Department of Veterans' Affairs for the year ended June 30, 1999, filed with the Legislative Audit Commission on March 25, 2000. The report contains financial statements and a schedule of federal financial assistance for the entire Department. This report also encompasses single audit compliance testing results for the entire Department. The results of detailed State compliance audit testing of each of the Veterans' Homes are included in separate audit reports. The auditors stated the financial statements of the Department are fairly presented.

The Department of Veterans' Affairs was created in 1976 and replaced the Illinois Veterans' Commission. The Department was established to aid and assist all veterans, their dependents, and survivors in applying for veterans' benefits due by reason of military service, and to provide health care services for certain veterans, their spouses, widows, and widowers. The Department's primary function is to provide professional counseling and assistance relative to all veterans' programs, both State and federal.

The Department operates Veterans' Homes at Quincy, Manteno, LaSalle, and Anna. The facilities have a total capacity of 1,021 beds for nursing care, 147 beds for residential care, and 12 beds for homeless. The Department also maintains 43 Veterans' Service Offices throughout the state to provide counseling and information services. In addition to the full-service offices, the Department also maintains 53 itinerant field offices. Further, during FY99 the Department had three employees who represented veterans seeking appeals with the U.S. Department of Veterans' Affairs.

Robert Foster was the Department's Director from July 1998 through February 2, 1999. John Johnston became the Director effective February 16, 1999.

The average number of employees by division was:

	FY99	FY98	FY97
Central Office	34	34	34
Field Offices	74	75	75
State Approving Agency	7	7	7

TOTAL	115	116	116
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During FY99, the Department served 76,611 veterans and their dependents. The Department issued 7,875 hunting licenses and 613 camping permits. The Department erected 7,090 headstones and paid 2,735 claims including claims for MIA/POW scholarships, bonus payments, educational opportunities and housing grants.

Expenditures From Appropriations

The General Assembly appropriated a total of \$8,808,650 to the Department (\$8,258,650 from the General Revenue Fund and \$550,000 from the G.I. Education Fund) for the year ended June 30, 1999. Total expenditures for the Department increased from \$8,092,939 in FY98 to \$8,441,018 in FY99, an increase of \$348,079, or 4.3%. Lapse period spending was \$727,526, which is 8.6% of total expenditures. Appendix A summarizes appropriations and expenditures for FY99 and FY98.

Examples of significant variations in expenditures include:

- 150% (\$220,978) increase in retirement system contributions due to the retirement rate increase from 6.5% to 9.6%;
- 24% (\$66,600) increase in cartage and erection of veterans' headstones due to an increase in the statutory authorized claim amount from \$50 to \$100; and
- One-time appropriation to the Village Investment Project for expenses related to the Veterans' Mentor and Adoption Program.

Cash Receipts

Appearing in Appendix B is a summary of cash receipts for FY99 and FY98. Total cash receipts increased from \$529,351 in FY98 to \$530,736 in FY99. The vast majority of cash receipts were from the federal Department of Veterans' Affairs. The increase in cash refunds in FY99 was due to one rental overpayment and two MIA/POW Scholarship refunds for FY98 that were received after the end of the FY98 lapse period.

Property and Equipment

Appearing in Appendix C is a summary of property and equipment transactions of the Department's Central Office during the period under review. The balance decreased from \$1,673,829 as of July 1, 1998, to \$1,537,055 as of June 30, 1999, a net decrease of \$136,774, or 8.2%.

Accountants' Findings and Recommendations

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Condensed below are the six findings and recommendations presented in the audit report. There were three repeated recommendations. The following recommendations are classified on the basis of information provided by Don Bullerman, Chief Internal Auditor of the Department Veterans' Affairs, in email dated August 14, 2000.

Accepted

1. Adequately monitor grants and contracts to ensure all required items are received and reviewed.

Findings: The Department did not have adequate monitoring procedures in place over all its grants and contracts.

- Two of the four quarterly reports required of the \$224,000 Village Investment Program and Veterans' Mentor and Adoption Program were received 49-75 days after the due date. All four reports contained discrepancies between the statistical and financial data submitted for the grant.
- The Department could provide no evidence that the VFW fulfilled the provisions of a \$6,000 contract to provide monthly training to field staff or a Service Officers Manual. The VFW filed no quarterly reports.

Response: The Department agrees. The Department has appointed a grants and administrative rules coordinator, located in the Central Office, to oversee administrative rules, written policies and procedures to properly monitor and administer the grants. Each grant will have a grant administrator.

2. Prepare accurate Agency Workforce Reports and file timely with the Secretary of State and the Office of the Governor. Establish policies and procedures for compilation of the Report to ensure accuracy of future reports. (Repeated-1996)

Findings: The Department's Agency Workforce Reports for FY99 contained various clerical errors and the following inaccuracies:

- Total Females were overstated on the FY99 report; and
- Total Physically Disabled Males were understated on the FY99 report.

Filing inaccurate reports prevents fulfillment of the purpose of the State Employment Records Act, which is to achieve a more diversified State workforce.

Response: The Department agrees. The Department continues to manually compile data for the Workforce Report. However, work has begun on the program to automate the

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Report, and is scheduled for completion by September 30, 2000. Once the automated report is implemented, the inaccuracies due to human error should be eliminated.

Accepted - concluded

- 4. Implement controls to maintain accurate daily attendance records. Ensure employee attendance records are correct, complete, and reconcile with leave requests. (Repeated-1996)**

Findings: The Department did not exercise adequate controls over employee attendance in compliance with the Illinois Administrative Code. Errors were noted for six of 25 employees tested. One employee accrued time for the first month of a leave of absence, and one employee was not charge for two hours of sick time used.

The Department established a flex-time policy, but did not adopt formal procedures for monitoring its flex-time policy until the fiscal year had ended.

Response: The Department accepts the recommendation and is more closely monitoring the employee timekeeping system and reviewing alternative internal timekeeping systems.

- 5. Comply with internal policies and prudent business practices by performing annual evaluations for all employees in a timely manner.**

Findings: The Department did not conduct employee performance evaluations on two of 25 employees tested during the audit period. There was no record of an annual evaluation performed in the past three years for one employee.

Response: The Department agrees and is working toward ensuring that all performance evaluations are completed in a timely manner.

- 6. Strengthen security over computer systems by activating password change parameters, reviewing user accounts, obtaining necessary training for Information Systems (IS) staff, ensuring adequate security before placing production systems on the LAN, developing a standard form for personnel changes, and regularly reviewing system and access violation logs.**

Findings: The Department's administration of its Central Office computer systems was inadequate. The auditors noted the following deficiencies:

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- inadequate LAN security;
- no consistent form or procedure for notifying IS staff of personnel changes within the Department;
- lack of monitoring of the LAN or host security logs; and
- insufficient technical training.

Response: The Department agrees and system administration is in an ongoing effort to make improvements. Since June 30, 1999 the Department has put in place LAN Security,

Internet guidelines, a new security policy/manual, established monthly reviews of Internet usage, reviewed LAN user accounts, and scheduled a change in password parameters.

Implemented

- 3. Continue to conduct necessary personnel training to inform report preparers of the procedures to be followed when preparing monthly statistical reports. Enhance monitoring to ensure timely and accurate monthly reports are prepared and submitted. (Repeated-1988)**

Findings: The Department did not properly prepare monthly or yearly statistical reports used to record the services provided by the field offices. Inaccurate reporting decreases the Department's ability to correctly analyze the effectiveness of its field offices. While testing at four field offices, the auditors noted the following:

- three of 12 monthly reports tested were not signed by the Veteran Service Officer;
- three of 12 monthly reports were not dated;
- for five of 12 monthly reports tested, the corresponding veterans' interview records did not reconcile with the veterans' sign-in records;
- five of 12 monthly reports contained either mathematical or clerical errors; and
- one of the four-year reports tested did not crossfoot.

Response: Implemented. The IS Unit has developed a Field Database Program that automates the Field Services Employees input of data to the Monthly Report. This new program, implemented in August 2000, should correct mathematical problems.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states that "the principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts ...". The law also recognizes that there will be emergency situations when it will be

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impossible to conduct bidding. It provides a general exemption for emergencies “involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make ‘quick purchases’, including but not limited to items available at a discount for a limited period of time.”

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY99, the Department filed one affidavit for an emergency purchase totaling \$17,475.00 to replace a chiller at the Quincy Veterans’ Home.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Department of Veterans’ Affairs indicated as of July 1999 the Department had no employees assigned to locations other than official headquarters.

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TWO YEARS ENDED JUNE 30, 1999

APPENDIX A

Summary of Appropriations and Expenditures

<u>APPROPRIATIONS</u>	<u>FY99</u>	<u>FY98</u>
General Revenue Fund		
Central Office	4,410,700	4,279,400
Field Services	3,847,950	3,574,900
G.I. Education Fund	550,000	552,800
Women in Military Service	-	24,342
TOTAL APPROPRIATIONS	\$ 8,808,650	\$ 8,431,442
General Revenue Fund - Central Office		
Personal services	\$ 1,382,238	\$ 1,364,871
Retirement	131,977	53,876
Retirement paid by employer	54,642	88,976
Social Security	98,145	95,301
Contractual services	377,101	338,900
Travel	22,741	17,405
Commodities	20,540	20,272
Printing	7,887	9,046
Equipment	3,184	2,140
EDP	548,428	628,930
Telecommunications	44,218	32,601
Operate auto equipment	8,115	6,622
Promotional items	4,992	4,998
Bonus payments to war veterans	123,928	108,144
Educational opportunities	153,500	147,500
Special adapted housing	74,139	50,000
Cartage & erection veterans' headstones	342,850	276,250
Cartage & erection veterans' headstones - PY	11,200	10,500
MIA/POW scholarship	639,400	632,891
Village Investment Project	224,000	-
Joliet Arsenal Memorial	20,000	-
Mount Prospect Veterans Memorial	-	100,000
Harlem Township Memorial	-	100,000
Illinois Veterans' Leadership Program	-	-
Total Central Office	4,293,225	4,089,223

Appendix A - continued

	FY99	FY98
<u>General Revenue Fund - Field Services</u>		
Personal services	2,479,479	2,458,827
Retirement	236,432	93,560
Retirement paid by employer	97,515	159,791
Social security	179,256	172,745
Contractual services	297,345	282,296
Travel	47,118	40,347
Commodities	16,873	18,041
Printing	6,115	7,915
Equipment	25,445	27,502
EDP	147,922	135,925
Telecommunications	88,159	84,371
Operate auto equipment	10,142	15,533
Total Field Services	3,631,801	3,496,853
<u>G.I. Education Fund</u>		
Personal services	\$ 346,468	\$ 327,765
Retirement	13,868	13,010
Retirement paid by employer	33,034	21,320
Social security	22,427	20,911
Group insurance	35,343	29,954
Contractual services	32,062	19,731
Travel	19,931	18,398
Commodities	853	470
Printing	667	320
Equipment	72	14,532
EDP	4,404	7,833
Telecommunications	5,696	5,096
Auto equipment	1,167	3,181
Total G.I. Fund	515,992	482,521
Women in Military Service	-	24,342
TOTAL EXPENDITURES	\$ 8,441,018	\$ 8,092,939

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APPENDIX B

Cash Receipts

	<u>FY99</u>	<u>FY98</u>
<u>General Revenue Fund</u>		
Miscellaneous Receipts	\$ 397	\$ 344
Cash Refunds	<u>1,483</u>	<u>184</u>
 TOTAL	 1,880	 528
 <u>G.I. EDUCATION FUND</u>		
VA Reimbursements	528,718	528,773
Miscellaneous Receipts	138	50
Cash Refunds	<u>-</u>	<u>-</u>
 TOTAL EDUCATION FUND	 528,856	 528,823
 TOTAL RECEIPTS	 <u>\$ 530,736</u>	 <u>\$ 529,351</u>

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APPENDIX C

Summary of Property and Equipment

	<u>FY99</u>	<u>FY98</u>
Beginning Balance, July 1	<u>\$ 1,673,829</u>	<u>\$ 1,361,887</u>
Additions	130,686	398,553
Deductions	(42,542)	(2,818)
Net transfers in (out)	<u>(224,918)</u>	<u>(83,793)</u>
Ending Balance, June 30	<u>\$ 1,537,055</u>	<u>\$ 1,673,829</u>
* Represented by:		
Land & improvements	\$ 1,750	\$ 1,750
Buildings & improvements	33,671	25,503
Equipment	<u>1,501,634</u>	<u>1,646,576</u>
Total *	<u>\$ 1,537,055</u>	<u>\$ 1,673,829</u>
